

Message Text

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C O N F I D E N T I A L OTTAWA 0091

E.O. 11652: GDS

TAGS: ENRG, PDEV, PGOV, SENV, CA

SUBJECT: INDIAN AND NORTHERN AFFAIRS MINISTER WARREN ALLMAND
COMMENTS ON MACKENZIE PIPELINE

1. SUMMARY: IN RECENT INTERVIEW INDIAN AND NORTHERN AFFAIRS
MINISTER ALLMAND STRESSED THAT A MACKENZIE VALLEY PIPELINE
MIGHT NOT BE BUILT. HIS REMARKS GAVE APPEARANCE TO SOME
(PARTICULARLY NERVOUS GAS COMPANY OFFICIALS) THAT GOC MIGHT BE
MOVING IN DIRECTION OF A DECISION AGAINST MACKENZIE VALLEY GAS
PIPELINE. AUTHORITATIVE SOURCES, HOWEVER, SAY THAT ALLMAND WAS
NOT BRIEFED PRIOR TO THE INTERVIEW AND HIS PERHAPS ILL-
CONSIDERED, ILL-INFORMED REMARKS DO NOT REFLECT GOC POLICY
SHIFT. END SUMMARY.

2. DECEMBER 31 GLOBE AND MAIL ARTICLE BY JEFF CARRUTHERS
REPORTED INTERVIEW OF DEPARTMENT OF INDIAN AND NORTHERN
AFFAIRS (DINA) MINISTER WARREN ALLMAND. CARRUTHERS' ARTICLE
QUOTED ALLMAND AS SAYING HE EXPECTS GOC WILL DECIDE BY LATE
SUMMER 1977 WHETHER TO APPROVE CONSTRUCTION OF PROPOSED CANADIAN-
U.S. MACKENZIE RIVER VALLEY GAS PIPELINE. THIS TIMING, ALLMAND
SAID, WOULD GIVE USG FIRM IDEA OF CANADIAN INTENTIONS BEFORE IT
HAS TO MAKE FINAL SELECTION OF A SYSTEM TO TRANSPORT ALASKAN GAS.
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ALLMAND WARNED IN THE INTERVIEW THAT DESPITE WHAT SOME CANADIANS
HAVE THOUGHT IN THE PAST, CONSTRUCTION OF A MACKENZIE VALLEY GAS
PIPELINE IS NOT A CERTAINTY AND THAT HE, PERSONALLY, HAS NO
PREJUDICE IN FAVOR OF BUILDING THE LINE. HE ADDED THAT THE
GOVERNMENT DECISION REGARDING THE PROPOSED LINE "COULD BE A
NEGATIVE ONE" OR COULD PLACE CONDITIONS ON ITS CONSTRUCTION THAT
WOULD FORCE POSTPONEMENT OF THE PROJECT FOR A NUMBER OF YEARS.

HE STRESSED THAT GOC WILL LOOK AT THE ISSUE WITH A COMPLETELY OPEN MIND WITH ALL OPTIONS OPEN.

3. CARRUTHERS' ARTICLE POINTS OUT THAT SINCE ALLMAND AND GOC WILL DECIDE ONLY AFTER THE FINAL REPORTS OF THE BERGER COMMISSION AND SPECIAL NATIONAL ENERGY BOARD (NEB) PANEL ARE IN HAND, ALLMAND'S ANNOUNCED EXPECTATION OF AN END OF SUMMER GOVERNMENT DECISION PUTS PRESSURE ON NEB TO WIND UP ITS PUBLIC HEARINGS SOONER THAN MANY EXPECTED WOULD BE POSSIBLE.

4. ALLMAND SAID THERE IS NOT AS MUCH PRESSURE FOR THE CANADIAN GOVERNMENT TO DECIDE QUICKLY REGARDING THE ALCAN ROUTE AS IS THE CASE FOR A JOINT CANADIAN-U.S. MACKENZIE PIPELINE. HE NOTED AS A PLUS FOR THE ALCAN PROJECT THAT IT SHOULD BE CONSIDERABLY LESS EXPENSIVE AND NOT AS DIFFICULT TO CONSTRUCT AS A MACKENZIE PIPELINE SINCE IT USES AN EXISTING HIGHWAY CORRIDOR. "IT DOESN'T APPEAR TO BE AS DISRUPTIVE AS A MACKENZIE PIPELINE," HE SAID. AT THE SAME TIME, HE SAID, "THE ALCAN PROJECT DOESN'T DO ANYTHING FOR CANADIAN GAS," BECAUSE IT WOULD NOT CONNECT TO MACKENZIE DELTA GAS. ALLMAND SAID HE WAS UNAWARE OF SUGGESTIONS THAT A DEMPSTER HIGHWAY PIPELINE COULD BE BUILT LATER, CONNECTING THE MACKENZIE DELTA WITH THE ALCAN ROUTE INSTEAD OF BUILDING A SEPARATE MACKENZIE PIPELINE. HE ADDED THAT IF CANADA DID APPROVE THE ALCAN ROUTE, IT COULD STUDY FURTHER AN ALL-CANADIAN MACKENZIE LINE OR HOOK-INS WITH THE POLAR GAS OR ALCAN PROJECTS FROM THE MACKENZIE DELTA.

5. COMMENT: ACCORDING TO SENIOR PERSONNEL AT ENERGY, MINES AND RESOURCES, NEB AND DINA, ALLMAND'S STATEMENT SHOULD NOT BE TAKEN CONFIDENTIAL

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AS AN OFFICIAL SIGNAL OF GOC DOUBTS REGARDING THE MACKENZIE VALLEY LINE. OVER PAST WEEK EMBOFF HAS TALKED TO SEVERAL SENIOR OFFICIALS FROM THESE AGENCIES. ALL WERE CAREFUL TO POINT OUT THAT THIS WAS NOT A DEFINITIVE STATEMENT OF GOC POLICY. ONE AUTH-ORITATIVE AND RELIABLE SOURCE IN DINA SAID THAT ALLMAND'S COMMENTS CAUGHT HIS DEPARTMENT COMPLETELY BY SURPRISE AND GENERATED A FLURRY OF CALLS FROM GAS COMPANY OFFICIALS WHO WERE QUITE UPSET BY THE COMMENTS. SOURCE POINTED OUT THAT TO DATE PERSONNEL IN DINA RESPONSIBLE FOR POLICY-MAKING IN THIS AREA HAVE HAD NO CHANCE TO "GET TO" ALLMAND AND BRIEF HIM ON THE FACTUAL SITUATION AND THAT HE GAVE THE INTERVIEW "OFF THE TOP OF HIS HEAD." SOURCE NOTED THAT ALLMAND'S IGNORANCE OF DEMPSTER HIGHWAY AS POSSIBLE MEANS OF LINKING ALCAN ROUTE TO MACKENZIE DELTA AND STATEMENT THAT PRESSURE WAS NOT AS GREAT ON CANADA TO DECIDE ON ALCAN ROUTE REFLECTED HIS LACK OF BACKGROUND ON PIPELINE ISSUE. LATTER REMARK, OF COURSE, OVERLOOKS FACT THAT U.S. DECISION TIMETABLE GOVERNS CHOICE OF ANY GAS PIPELINE ROUTE FROM ALASKA. SOURCE ALSO POINTED OUT THAT ALLMAND'S AMBIGUOUS STANCE DURING INTERVIEW REFLECTED THE CONFLICTING POLICY ROLE IN DINA; NAMELY, THE

DEPARTMENT IS RESPONSIBLE FOR PROTECTING NATIVE PEOPLE AND THE ENVIRONMENT IN THE NORTH WHILE AT THE SAME TIME IT HAS A RESPONSIBILITY TO ALL OF CANADA FOR DEVELOPMENT OF RESOURCES IN THAT REGION. IN SUM, ALLMAND'S REMARKS SHOULD NOT, SOURCE SAID, BE SEEN AS THE OPENING GUN IN A GOC-ORCHESTRATED PUBLIC DISCUSSION OF THE ISSUE. SOURCE STRESSED THAT THERE IS NO POLITICAL GAME PLAN FOR PUBLIC AIRING OF THE PIPELINE DECISION. ON THE CONTRARY, HE SAID, "WE ARE IN COMPLETE AND TOTAL DISARRAY."

6. CABINET SECRETARY PITFIELD GAVE AMBASSADOR SIMILAR READING JANUARY 6. PITFIELD SAID THAT PIPELINE OPTIONS HAD NOT EVEN BEEN CONSIDERED AT DEPUTY MINISTER LEVEL, LET ALONE CABINET LEVEL AND THERE IS NO RPT NO CANADIAN GOVERNMENT LINE. IN PITFIELD'S VIEW, IT WOULD BE WISE NOT TO ATTEMPT TO SORT OUT THE OPTIONS TOO SOON, THAT IS TO SAY PRIOR TO THE SUBMISSION OF THE BERGER REPORT AND KNOWLEDGE OF LIKELY NEB OUTCOME IN LATE APRIL OR EARLY MAY.
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7. PITFIELD SAID THAT WE SHOULD NOT RPT NOT CONCLUDE THAT THERE HAS BEEN A LESSENING OF INTEREST IN THE MACKENZIE VALLEY OR ALCAN LINES. ON THE CONTRARY, MAJORITY OPINION IN THE CABINET REMAINS THAT IT WILL BE IN CANADA'S INTEREST TO COOPERATE WITH THE U.S. IN GAS TRANSMISSION.
ENDERS

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